



General Assembly

February Session, 2006

***Raised Bill No. 5696***

LCO No. 2350

\*02350\_\_\_\_\_INS\*

Referred to Committee on Insurance and Real Estate

Introduced by:  
(INS)

***AN ACT REDUCING THE WEIGHT OF TERRITORIAL EXPERIENCE IN  
DETERMINING AUTOMOBILE INSURANCE RATES IN THIS STATE.***

Be it enacted by the Senate and House of Representatives in General  
Assembly convened:

1 Section 1. Section 38a-686 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2006*):

3 The following standards, methods and criteria shall apply to the  
4 making and use of rates pertaining to personal risk insurance:

5 (a) Rates shall not be excessive, inadequate or unfairly  
6 discriminatory.

7 (1) A rate in a competitive market is not excessive. A rate in a  
8 noncompetitive market including a rate for insurance provided  
9 pursuant to sections 38a-328, 38a-329 and 38a-670 is excessive if it is  
10 unreasonably high for the insurance provided.

11 (2) No rate shall be held inadequate unless (A) it is unreasonably  
12 low for the insurance provided, and (B) continued use of it would  
13 endanger solvency of the insurer, or unless (C) such rate is  
14 unreasonably low for the insurance provided and the use of such rate

15 by the insurer using same has, or, if continued will have, the effect of  
16 destroying competition or creating a monopoly.

17 (b) In determining whether rates comply with the excessiveness  
18 standard in a noncompetitive market under subdivision (1) of  
19 subsection (a) of this section, the inadequacy standard under  
20 subdivision (2) of subsection (a) of this section and the requirement  
21 that rates not be unfairly discriminatory, the following criteria shall  
22 apply:

23 (1) Consideration may be given, to the extent possible, to past and  
24 prospective loss experience within and outside this state, to  
25 conflagration and catastrophe hazards, to a reasonable margin for  
26 underwriting profit and contingencies, to past and prospective  
27 expenses both country-wide and those specially applicable to this  
28 state, to investment income earned or realized by insurers both from  
29 their unearned premium and loss reserve funds, and to all other  
30 factors, including judgment factors, deemed relevant within and  
31 outside this state and in the case of fire insurance rates, consideration  
32 may be given to the experience of the fire insurance business during  
33 the most recent five-year period for which such experience is available.  
34 Consideration may be given in the making and use of rates to  
35 dividends, savings or unabsorbed premium deposits allowed or  
36 returned by insurers to their policyholders, members or subscribers.

37 (2) The systems of expense provisions included in the rates for use  
38 by an insurer or group of insurers may differ from those of other  
39 insurers or groups of insurers to reflect the operating methods of any  
40 such insurer or group with respect to any kind of insurance, or with  
41 respect to any subdivision or combination thereof.

42 (3) Risks may be grouped by classifications for the establishment of  
43 rates and minimum premiums, provided that with respect to private  
44 passenger nonfleet automobile insurance, any change in territorial  
45 classifications shall be subject to prior approval by the Insurance  
46 Commissioner, and provided no surcharge on any motor vehicle

47 liability or physical damage insurance premium may be assigned for  
 48 (A) any accident involving only property damage of one thousand  
 49 dollars or less, or (B) the first accident involving only property damage  
 50 of more than one thousand dollars which would otherwise result in a  
 51 surcharge to the policy of the insured, within the experience period set  
 52 forth in the insurer's safe driver classification plan, or (C) any violation  
 53 of section 14-219 unless such violation results in the suspension or  
 54 revocation of the operator's license under section 14-111b, or (D) less  
 55 than three violations of section 14-218a within any one-year period, or  
 56 (E) any accident caused by an operator other than the named insured,  
 57 a relative residing in the named insured's household, or a person who  
 58 customarily operates the insured vehicle, or (F) the first or second  
 59 accident within the current experience period in relation to which the  
 60 insured was not convicted of a moving traffic violation and was not at  
 61 fault, or (G) any motor vehicle infraction. Subparagraph (G) of this  
 62 subdivision shall not be applicable to any plan established pursuant to  
 63 section 38a-329. Classification rates may be modified to produce rates  
 64 for individual risks in accordance with rating plans which provide for  
 65 recognition of variations in hazards or expense provisions or both.  
 66 Such rating plans may include application of the judgment of the  
 67 insurer and may measure any differences among risks that can be  
 68 demonstrated to have a probable effect upon losses or expenses.

69 (4) Each rating plan for private passenger nonfleet automobile  
 70 insurance that includes territorial classifications shall assign a weight  
 71 of fifty per cent each to individual territorial loss cost data and to the  
 72 state-wide average loss cost data.

73 ~~[(4)]~~ (5) Each rating plan shall establish appropriate eligibility  
 74 criteria for determining significant risks which are to qualify under the  
 75 plan. Rating plans which comply with the provisions of this  
 76 subdivision shall be deemed to produce rates which are not unfairly  
 77 discriminatory.

78 (c) Notwithstanding the provisions of subsections (a) and (b) of this

79 section, no rate shall include any adjustment designed to recover  
80 underwriting or operating losses incurred out-of-state.

81 (d) The commissioner may adopt regulations in accordance with the  
82 provisions of chapter 54 concerning rating plans to effectuate the  
83 provisions of this section.

This act shall take effect as follows and shall amend the following sections:		
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Section 1	<i>October 1, 2006</i>	38a-686
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***Statement of Purpose:***

To reduce the weight of territorial experience in determining automobile insurance rates in this state from seventy-five per cent to fifty per cent, in order to reduce such rates for urban motor vehicle operators.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*